

**REPORT/RECOMMENDATION TO THE BOARD OF SUPERVISORS  
OF SAN BERNARDINO COUNTY, CALIFORNIA  
AND RECORD OF ACTION**

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June 24, 2003

**FROM: DAVID H. SLAUGHTER**, Director  
Real Estate Services Department

**PATRICIA L. NICKOLS**, Executive Director  
Community Services Department

**SUBJECT: AMENDMENT TO LEASE AGREEMENT 88-570 WITH DON W. SCHMID  
FAMILY TRUST, ET. AL.**

**RECOMMENDATION:** Approve Amendment No. 5 to Lease Agreement No. 88-570 with Don W. Schmid Family Trust, 2001 David Schmid Trust, Daniel Walter Schmid Trust, William Robert Schmid Trust, Andrew David Schmid Trust, Laura M. Cook Trust and M & B McCormick Trust (Landlord) to:

1. Extend the term through July 31, 2005 for 10,972 square feet of office space in San Bernardino for Community Services Department (CSD) in the amount of \$325,284; and
2. Assign said lease to Community Services Department of San Bernardino, a non-profit corporation (CSDSB), effective July 1, 2003.

**BACKGROUND:** On July 18, 1988, the Board approved a five-year lease agreement ending July 31, 1993 with three two-year options to extend the term with Richard J. Battaglia for 10,160 square feet of office space located at 686 E. Mill Street in San Bernardino. From August 1, 1993 to July 31, 1994, the lease was in holdover pending completion of tenant improvements. Since then, the Board has approved four amendments, which are summarized below:

<b>Amend. No.</b>	<b>Approved</b>	<b>Action</b>
1	August 2, 1994	<ul style="list-style-type: none"><li>• Added 812 sq. ft. of office space for a total of 10,972.sq. ft.</li><li>• Extended the term seven years to from August 1, 1994 to July 31, 2001</li><li>• Provided for additional tenant improvements</li><li>• Increased the monthly rent from \$9,600 (\$0.94/sq.ft./full service) to \$10,423 (\$0.95/sq.ft./full service)</li></ul>
2	September 18, 2001	<ul style="list-style-type: none"><li>• Provided for a Subordination, Nondisturbance and Attornment Agreement between the County, the former landlord, and California Federal Bank, the former landlord's lender</li></ul>
3	February 12, 2002	<ul style="list-style-type: none"><li>• Exercised the first of three two-year options to extend the term to July 31, 2003</li><li>• Fixed the monthly rent at \$13,189 (\$1.20/sq.ft./full service)</li></ul>

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<b>Amend. No.</b>	<b>Approved</b>	<b>Action</b>
4	June 3, 2003	<ul style="list-style-type: none"> <li>• Reflected a change in ownership from Richard J. Battaglia to Landlord</li> <li>• Provided for a Subordination, Nondisturbance and Attornment Agreement between the County, Landlord, and California Bank &amp; Trust, Landlord's lender</li> <li>• Changed the name and address for delivery of notices</li> <li>• Provided for execution of the lease agreement in counterparts</li> </ul>

CSD requested Real Estate Services Department (RESA) exercise the second of three two-year options to extend the term to July 31, 2005 and negotiate an approval and acceptance by the Landlord to assign the County's interests and obligations in the Lease to CSDSB effective July 1, 2003. The Landlord has agreed to the assignment which includes CSDSB's agreement to indemnify, defend and hold harmless the County for any liability under the Lease, and the Landlord's consent to release the County from all rights, duties, obligations, and potential liability under the Lease as of July 1, 2003, the effective date of the assignment. The lease terms are summarized as follows:

Lessor: Don W. Schmid Family Trust, 2001 David Schmid Trust, Daniel Walter Schmid Trust, William Robert Schmid Trust, Andrew David Schmid Trust, Laura M. Cook trust and M & B McCormick Trust

Location: 686 E. Mill Street in San Bernardino

Size: 10,972 sq. ft.

Term: Two years commencing August 1, 2003

Options: One two-year option to extend the term is still available

	<u>Cost per sq.ft. per month</u>	<u>Monthly</u>	<u>Annual</u>
Rent: (1 <sup>st</sup> yr.)	\$1.22/sq.ft.*	\$13,386	\$160,632
(2 <sup>nd</sup> yr.)	\$1.25/sq.ft.*	\$13,721	\$164,652

\*Mid-range for the San Bernardino area

Improvement costs: None

Custodial cost: Provided by Landlord

Maintenance: Provided by Landlord

Utilities: Provided by Landlord

Right to terminate: CSDSB has the right to terminate with 90-days notice

Parking: Sufficient for CSDSB's needs

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REVIEW BY OTHERS: This item has been reviewed by County Counsel (Fiona Luke, Deputy County Counsel) on June 2, 2003 and the County Administrative Office (Daniel R. Kopp and Gary Morris, Administrative Analysts) on June 16, 2003.

FINANCIAL IMPACT: The total cost of this two-year amendment is \$325,284. The cost for fiscal year 2002-03 is \$160,435 (\$13,189 per month x 12 months). These program expenditures are funded 100% by state and federal sources. Payments will become the obligation of, and be made by, CSDSB as of July 1, 2003. Approval of this item will not result in local cost. Annual lease costs are as follows:

<u>Year</u>	<u>Annual lease cost</u>
August 1, 2003 – July 31, 2004	\$160,632
August 1, 2004 – July 31, 2005	\$164,652

COST REDUCTION REVIEW: The County Administrative Office has reviewed this agenda item, concurs with the department's and RESD's proposal, and recommends this action because on April 1, 2003 the Board approved the transition of CSD to an entity separate from the County effective July 1, 2003. On July 1, 2003, the County's obligation under this lease will be assigned to CSDSB.

SUPERVISORIAL DISTRICT: Fifth

PRESENTER: David H. Slaughter, Director - 7-7813

MC 7-7816 bas 7-7830